

Initiative on Needs Analysis

Purpose:

As the front-line representatives, insurance agents/brokers are the cornerstones of public trust and confidence in the integrity of the insurance industry. There is ever rising public demand on the practitioners to demonstrate that they possess professional analysis skills and advise consumers the products that best-suit their needs.

Moreover, the Life Insurance Council of The Hong Kong Federation of Insurers has been proactive in promoting self-regulation. It should be leading the industry in adopting the good practice of using 'Needs Analysis Form' during the sales advisory process. This demonstrates the worldwide movement of life assurance industry becoming more customer-focused instead of purely product-focused.

Recommendations:

- 1) No standard form is recommended. Nevertheless, all Life Insurance Members ("LIMs") would be requested to require their agents/brokers using a 'Needs Analysis Form' ("Form"), provided by individual LIMs, during the selling process of new insurance policies. The Form should, but not limited to, include:
 - i) personal particulars (of the potential policy holder)
 - name, date of birth, address, contact numbers, marital status, occupation, etc;
 - ii) needs analysis
 - financial income (monthly salary, bonus, other incomes, etc);
 - financial outgoings (monthly living expenses, rent/mortgage redemption, etc);
 - usable assets (savings, life insurance coverage, stock/securities/bonds, company benefits, etc);
 - liabilities (mortgage loan, debts, etc);
 - family commitments (no. of dependents, education funds, etc);
 - funeral and associated expenses and estate duties;
 - iii) evaluation and recommendation
 - total protection needs, total usable assets, total amount to meet the family immediate protection, etc;
 - the reason(s) for the recommendation made by the selling agent/broker; and
 - iv) signature of the selling agent/broker and date of the completion of the Form.
- 2) The Form, completed with the client's signature prior to the signing of the application, must be filed for record purpose if the basic insurance plan's:
 - i) sum insured* is HK\$2,000,000 or above; OR
 - ii) annualized premium is HK\$20,000 or above; OR
 - iii) single premium is HK\$200,000 or above.

(If life insurance protection equals to a certain percentage (e.g. 101%) of the policy value, such amount of protection shall be deemed to be the sum insured.)*

Validity Period:

A signed Form shall have a validity period of one year, i.e. in the event that a client purchases additional insurance coverage from the same LIM within a year after a Form is signed, he/she will not need to sign another Form.

(effective 1 May 2006)